

Tren Urbano Minillas Extension

San Juan, Puerto Rico

(November 2002)

Description

The Puerto Rico Department of Transportation and Public Works (PRDTPW), through its Highway and Transportation Authority (PRHTA), is proposing an extension of its heavy rail rapid transit system, known as Tren Urbano Phase I (currently under construction). The proposed investment would extend Tren Urbano Phase I approximately one mile under Ponce de Leon Avenue from its current terminus at Sagrado Corazon to the Minillas area of Santurce. Santurce is home to government offices of the Commonwealth, the Luis A. Ferre Fine Arts Centers, four major hospitals, and is one of the main commercial and residential districts on the Island.

Summary Description	
Proposed Project:	Tren Urbano Minillas Extension 1 Mile, 2 Stations
Total Capital Cost (\$YOE):	\$561.5 Million
Section 5309 New Starts Share (\$YOE):	\$449.2 Million (80%)
Annual Operating Cost (2010 \$YOE):	\$3.0 Million
Ridership Forecast (2010):	14,430 Average Weekday Boardings 9,300 Daily New Riders
Opening Year Ridership Forecast:	N/A
FY 2004 Finance Rating:	Low
FY 2004 Project Justification Rating:	Not Submitted
FY 2004 Overall Project Rating:	Not Recommended

The overall project rating of *Not Recommended* is based upon the Low financial rating resulting from a Section 5309 New Starts funding share of 80 percent. PHRTA provided only a partial submittal this year, which precluded the rating and evaluation of the project justification criteria. This project has received a rating of *Not Recommended* based on the Federal New Starts share requirement in effect during fiscal year 2003. The Conference Report accompanying the FY 2002 Department of Transportation Appropriations Act directs that, as of October 1, 2002, no new Full Funding Grant Agreement may be executed with a Federal New Starts share greater than 60 percent. The project's "low" share rating and summary financial rating reflect this Congressional direction. In addition, the Administration is seeking legislation that would limit the Federal New Starts share to no more than 50 percent beginning in FY2004. Future ratings of this project would be affected by this change.

The overall project rating applies to this *Annual Report on New Starts* and reflects conditions as of **November 2002**. Project evaluation is an ongoing process. As New Starts projects proceed through project development, the estimates of cost, benefits, schedule and impacts are refined.

The FTA ratings and recommendations will be updated annually to reflect new information, changing conditions, and refined financing plans.

Status

In 1993, the Federal Transit Administration (FTA) selected Tren Urbano as one of the Turnkey Demonstration Projects under the Intermodal Surface Transportation Efficiency Act (ISTEA). A Full Funding Grant Agreement (FFGA) was signed in March 1996 for the Phase I 10.7-mile (17.2-kilometer) section of Tren Urbano. Phase I is currently under construction. The Minillas Extension has been included in previous planning studies as part of the rail system planned for metropolitan San Juan and has been included in the regional Land Use and Transportation Plan since 1982.

In May 1997, a Memorandum of Understanding (MOU) was signed by FTA and PRHTA stating that the planning process undertaken for the Minillas Extension satisfied the requirements of a Major Investment Study. Further, PRHTA was authorized to proceed with development of a Draft Environmental Impact Statement for the extension of Tren Urbano Phase I to Minillas. In August 1997, a Notice of Intent to prepare a Draft Supplemental Environmental Impact Statement (DSEIS) was published in the *Federal Register*. The DSEIS was published in July 1998, and identified the subway alignment beneath Ponce de Leon Avenue as the preferred extension alternative. The Supplemental Final EIS, which examined in more detail the impacts of the Ponce de Leon extension, was completed in September 1999. A Record of Decision was signed in September 2000.

TEA-21 Section 3030(a)(82) authorized the San Juan Tren Urbano Extension to Minillas for Final Design and construction. Through FY 2002, Congress has not appropriated any funds for the Minillas Extension.

Evaluation

The following criteria have been estimated in conformance with FTA's *Reporting Instructions for the Section 5309 New Starts Criteria*, updated in June 2002. N/A indicates that data are not available for a specific measure. The project will be reevaluated when it is ready to advance to Final Design, and for next year's *Annual Report on New Starts*.

Project Justification

PHRTA provided only a partial submittal this year, which precluded the rating and evaluation of the project justification criteria.

Other Factors

Turnkey Construction: Tren Urbano Phase I is one of the FTA designated Turnkey Demonstration Projects. Phase I is being constructed and will be operated under a turnkey procurement which has expedited the implementation of the project. The Minillas Extension would also employ turnkey procurement.

Local Financial Commitment

Rating: Low

The rating of *Low* for local financial was determined by the *Low* rating for the Section 5309 New Starts funding share.

Proposed Non-Section 5309 New Starts Share of Total Project Costs: 20%

Rating: Low

The financing plan for the Minillas Extension is interrelated with funding for Phase I and the Commonwealth's highway program, and relies upon a combination of bond receipts, tax revenues, and legislative appropriations.

Locally Proposed Financial Plan		
<u>Proposed Source of Funds</u>	<u>Total Funding (\$million)</u>	<u>Percent of Total</u>
Federal: Section 5309 New Starts	\$449.2	80.0%
Local: PRHTA funding	\$112.3	20.0%
Total:	\$561.5	100.0%

NOTE: Funding proposal reflects assumptions made by project sponsors, and are not DOT or FTA assumptions. Total may not add due to rounding.

Stability and Reliability of Capital Financing Plan

Rating: Low-Medium

The *Low-Medium* rating reflects the lack of detailed project cost estimates, including contingencies, for the Minillas Extension.

Agency Capital Financial Condition: As the transportation department for Puerto Rico, the PRHTA is responsible for the transportation system throughout the Commonwealth and receives revenue from both a dedicated fuels tax and the toll road system it administers. The capital condition of the agency is good, with a relatively young bus fleet (less than six years old on average) and bond ratings of Baa1 from Moody's and A from Standard & Poor's.

Capital Cost Estimates and Contingencies: Detailed capital cost estimates for the Minillas Extension have not been provided and no contingencies have been identified. Capital costs for Tren Urbano Phase I changed significantly during project development and construction, which raises additional concerns about the cost estimates for the Minillas Extension.

Existing and Committed Funding: The proposed non-Section 5309 share of project costs is \$112.3 million, or 20 percent of the total capital costs. Local funding will be generated from bond issuances. Funds to repay the bonds are committed to the project and are from the

following revenue sources: a \$0.16 per gallon gasoline tax; gross receipts from an annual per motor vehicle license fee, of which \$15 per vehicle is dedicated to PRHTA; all existing toll facility revenues; and investment earnings on deposits resulting from the issuance of bonds. If necessary, the Secretary of Transportation has the authority to focus all available capital financial resources to the Tren Urbano Minillas Extension and can generate additional revenues by increasing tolls on existing toll roads.

New and Proposed Sources: No new funding sources are proposed.

Stability and Reliability of Operating Finance Plan

Rating: Low-Medium

The *Low-Medium* rating reflects the lack of specific operating revenue projections and lack of a historical basis to project costs because the agency has not operated a heavy rail system.

Agency Operating Financial Condition: The PRHTA receives revenues from toll roads and dedicated fuels taxes. The Tren Urbano System, when constructed, is anticipated to carry heavy daily passenger loads and may provide an operating revenue surplus. Operating revenues for the Minillas Extension were not specifically projected within the PHRTA financial plan.

Operating Cost Estimates and Contingencies: Operating and maintenance costs for the Minillas Extension were estimated by taking the existing operating contract for Phase I of the Project and projecting the incremental operating cost of one additional route mile and two stations.

Existing and Committed Funding: Funding for operating and maintenance are committed to the project as part of the Design-Build contract. Operating and maintenance costs will be covered by already existing dedicated funding sources.

New and Proposed Funding Sources: No new revenue sources are proposed to fund project operation.

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